

## FISCAL NOTE

### HB 2072 - SB 2482

March 14, 2002

#### SUMMARY OF BILL:

- Exempts from state and local sales tax, food and food products for human consumption purchased by qualified elderly individuals.
- Defines food or food products *as any item that is eligible for purchase with food coupons issued by the United States Department of Agriculture pursuant to the Food Stamp Act of 1977 as it may be amended from time to time.*
- Defines qualified elderly individual as *an individual who is 65 years of age or older whose income from all sources is \$30,000 or less for a single person and \$60,000 or less for a married couple.*
- Provides for an effective date of July 1, 2001 (should be 2002).

#### ESTIMATED FISCAL IMPACT:

**Decrease State Revenues - Exceeds \$50,000,000**

**Increase State Expenditures - Exceeds \$100,000 Recurring  
Exceeds \$475,000 One-Time**

**Decrease Local Govt. Revenues - Exceeds \$20,000,000**

Estimate assumes:

- state sales tax collections from grocery food in FY 02-03 are estimated to be approximately \$428,000,000.
- based on the 2000 census, someone over 65 years of age heads approximately 20.5% of households in Tennessee. Based on IRS data, approximately 72% of filers over 65 fall under the income threshold amounts of \$30,000 single and \$60,000 joint.
- based on the Census Bureau's Consumer Expenditure Survey, households headed by persons 65 years of age or older, spend approximately 20% less than the average household on groceries and thus the decrease in revenue has been lowered by 20%.
- the decrease in state revenues is calculated as follows: \$428,000,000 X 20.5% = \$87,740,000. 72% of \$87,740,000 = \$63,172,800. 80%(20% discount) of that amount = \$50,538,240
- an increase in state expenditures that exceeds \$100,000 on a recurring basis resulting from personnel costs in the Department of Revenue to administer provisions of the bill.
- a one-time increase in state expenditures exceeding \$475,000 for MIS systems implementation costs and the one-time costs associated with hiring personnel to administer provisions of the bill
- a decrease in local government revenues is calculated as follows: \$50,538,240 / 6% X 2.4% Average Local Rate = \$20,215,296

#### CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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